



[Redacted]

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JUN 1 1981

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code and have determined that you do not qualify for tax exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

The evidence submitted indicates that your organization was incorporated [Redacted] under the laws of [Redacted] "for the advancement of commercial and civic interests of the [Redacted], and in furtherance of such object to engage in and conduct all possible promotional activity, to seek publicity, conduct special events, organize cooperative advertising and other joint endeavors to the general interest and for the general benefit of all merchants in the center."

Your by-laws, at Article II, Section 1, state that there shall be two types of membership, General and Affiliate. A General Member is a person or a company maintaining a place of business within the limits of the [Redacted]. A representative of the developer shall also maintain General Membership.

This document further provides that "An Affiliate Member is a person or company who has been admitted to the Association by vote of the members upon recommendation of the Board of Directors of the Association.

In a letter dated [Redacted], your Marketing Director states that "Membership in our Merchants Association is mandatory by lease agreement for 80% of the mall merchants. All members of the Merchants Association are general members. There are no affiliate members."

The activities of your organization as described in your application, include special events and appearances, promotions, print, radio, television and outdoor billboard advertising, Christmas Decorations, and publicizing mall activities.

Income to your organization comes from dues contributed by the members based on a square footage charge. Expenses are shown to pay for related activities.

Surname	[Redacted]	[Redacted]	[Redacted]	Reviewed	Reviewed	Reviewed	Reviewed
Date	6-14-81	[Redacted]	[Redacted]				

[REDACTED]

Section 501(c)(6) of the Internal Revenue Code provides for exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 59-391, 1959-2 CB, 151 holds that an organization whose membership is so restricted that each member represents a different trade, business, occupation or profession does not qualify for exemption under section 501(c)(6) of the Code. The revenue ruling states that since the members of such organizations have no common business interests other than their mutual desire to increase their individual sales and because their activities were not directed to the improvement of business conditions in one or more lines of business, the organization did not qualify for exemption under section 501(c)(6).

Revenue Ruling 64-315, 1964-2 CB, 147 discusses an association of merchants whose businesses constitute a shopping center. The organization expends its funds exclusively for advertising in various newspapers and in other public places to attract customers. The advertising contains the names of member merchants and their merchandise, and is paid for by the individual merchants.

In order for an organization to meet the requirements of a business league as described in section 501(c)(6), the advertising which the organization does must benefit business in the community generally or an industry as a whole. Since the instant form of advertising lists the names of specified merchants, this activity constitutes the performance of particular services for members rather than an activity directed to the improvement of business conditions in a particular industry or line of business.

Under these circumstances, an organization is not entitled to exemption under section 501(c)(6).

[REDACTED]

Revenue Ruling 73-411, 1973-2, C.B. 180, concerns a shopping center merchant's association whose membership is restricted to and required of tenants of one-owner shopping center and their common lessor. No business concerns, firms, or individuals other than tenants of the center are eligible to join the association.

The organization's activities included providing a forum for communicating and exchanging views between owner and tenants of the center respecting matters related to their tenant-owner relationship, developing and enforcing rules respecting maintaining and policing of shopping areas, walkways, and parking areas, hours of business and similar matters. The organization also arranges and conducts seasonal and other promotions.

In discussing the characteristics needed to be exempt under section 501(c)(6), the court noted that an organization exempt under this section must be one that directs its activities at promoting the common economic interests of all commercial enterprises in a given trade community. Since this organization was not structured along particular industry or business lines but was composed of various types of business endeavors, the shopping center must demonstrate that it is similar to a chamber of commerce or board of trade. In this case, the court ruled that since the organization had compulsory membership and did not serve the broad interests of a particular line of business or industry, it did not qualify for exemption under section 501(c)(6).

Our review of the information submitted in your application indicates that like the organization described in Revenue Ruling 73-411, your membership is restricted to and required of 80% of the merchants doing business in [REDACTED]. The membership of your organization indicates that each member of the association represents a different trade, business or occupation and that your activities are not directed toward promoting the common economic interests of businesses in a given trade community. Since your organization has compulsory membership for 80% for your members, your activities do not serve the broad interests of a particular line of business or industry.

Your organization is also like the one described in Revenue Ruling 59-391 where the membership consisted of organizations that represented different trades, businesses and occupations. These members had no common business interest other than their mutual desire to increase their individual sales.

Your advertising activities indicate that like the organization discussed in Revenue Ruling 64-315, your advertising contains the names of member merchants and their merchandise. In order to be exempt as a business league, an organization must show that its advertising benefits an industry as a whole. Since your advertising lists the names of specific merchants, this activity constitutes the performance of particular services for members rather than an activity directed to improvement of business conditions in a particular industry or line of business.

[REDACTED]

Based on the information submitted, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code. In accordance with this determination, you are required to file Federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax authorization with us.

If you don't appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination on this matter.

Appeals submitted which do not contain all the documentation required by Publication 892 will be returned for completion.

If you have any questions, please contact the person whose name and telephone phone number are shown in the heading of this letter.

Sincerely,

[REDACTED]
[REDACTED]
District Director

Enclosure: Publication 892